



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF MUNICIPAL AUDIT**

**John G. Morgan**  
Comptroller of the Treasury

**SUITE 1600  
JAMES K. POLK STATE OFFICE BUILDING  
505 DEADERICK STREET  
NASHVILLE, TENNESSEE 37243-0271  
PHONE (615) 401-7871  
FAX (615) 741-1551**

**Dennis F. Dycus, CPA, CFE, Director**  
Division of Municipal Audit

December 9, 2004

Honorable Mayor and Members of  
the Board of Alderman  
Town of Scotts Hill  
85 Highway 114 South  
Scotts Hill, TN 38374

Gentlemen:

We have completed our investigative audit of selected records of the Town of Scotts Hill. The scope of our examination focused on the period July 1, 2003, through September 30, 2004. However, when the examination warranted, our scope was expanded.

1. Our investigative audit revealed that two town employees purchased computers through an order made and paid by the Town of Scotts Hill. It appears that these employees are repaying the Town of Scotts Hill through payroll withholding. Article II, Section 29, of the *Constitution of the State of Tennessee*, provides:

But the credit of no County, City or Town shall be given or loaned to or in aid of any person, company, association or corporation, except upon an election to be first held by the qualified voters of such county, city or town, and the assent of three-fourths of the votes cast at said election.

Town officials should also consider the other implications of employees making purchases using the town's name, including the possibility of jeopardizing the town's tax-exempt status and the propriety of obligating the town for nonmunicipal purposes. Town officials should take immediate corrective action to resolve this issue.

2. Our audit revealed that the Town of Scotts Hill sold a surplus doublewide trailer in 2002. Prior to the sale, the town posted an invitation for sealed bids for the

Honorable Mayor and Members of  
the Board of Alderman  
Town of Scotts Hill  
December 9, 2004  
Page 2

trailer in the local paper. The winning bid was submitted by Don Buckingham, who was at the time, and is currently, the mayor of the Town of Scotts Hill. Section 6-54-125, *Tennessee Code Annotated*, states that

It is unlawful for any municipal official or employee to purchase from the municipality any property declared to be surplus by the municipality except by bid at **public auction** during the tenure of such person's office or employment, or for six (6) months thereafter. (Emphasis added.)

If town officials choose to allow municipal officials and employees to bid on surplus property, the sale must be at public auction.

3. We noted that receipts were not issued for several collections. Section 9-2-103, *Tennessee Code Annotated*, states, "Each . . . municipal official who receives any sum or sums in such official's capacity shall issue to the payer thereof a receipt and shall retain a duplicate thereof in the office of such official. . . ."

The *Internal Control and Compliance Manual for Tennessee Municipalities* requires municipal officials to ensure that prenumbered receipts are issued for each revenue source. Town officials should ensure that a duplicate, prenumbered receipt is issued for all collections.

If you need any additional information, please contact me.

Sincerely,

Dennis F. Dycus, CPA, CFE, Director  
Division of Municipal Audit

DFD/RAD